

Natixis Asset Management

2015 Report on Voting Rights Exercise

In compliance with article 314-101 of the FMA’s General Regulations, Natixis Asset Management has produced the “Report on voting rights” document, describing how it has exercised its voting rights as shareholder of the UCITS/ AIF ¹it manages.

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¹ UCITS (OPCVM): Undertakings for Collective Investment in Transferable Securities (*Organisme de Placement Collectif en Valeurs Mobilières*)

¹ AIF (FIA) Alternative Investment Funds (*Fonds d’Investissement Alternatifs*)

2015 Natixis AM's Voting Rights Exercise

1. 2015 Voting perimeter

In accordance with MFA regulations regarding the exercise of voting rights of asset management companies and following the principles defined in its voting policy, Natixis Asset Management (Natixis AM) has exercised its voting rights as shareholder of the UCITS and AIF it manages.

The 2015 voting perimeter covered **1 347** companies held in **121** UCITS and AIF, all of which are managed by Natixis AM.

Within this voting perimeter, **1 503** general meetings (GM) were held in 2015. Natixis AM has exercised its voting rights at **1 458** general meetings, that is to say its participation rate reached **97%**. Natixis AM did not exercise its voting rights at **44** general meetings, due to technical problems and in one case due to a conflict of interest (see section 6 of this report).

The actual voting perimeter thus consists of **1 303** companies and **1 458** general meetings.

Geographical Breakdown of the 2015 Voting Perimeter

| | <i>Number of Companies</i> | <i>%</i> |
|-----------------------------|----------------------------|-------------|
| Europe² | 735 | 56.5% |
| Americas³ | 287 | 22% |
| Asia⁴ | 222 | 17% |
| Oceania⁵ | 31 | 2.5% |
| Africa⁶ | 28 | 2% |
| Total | 1 303 | 100% |

² The European area comprises 23 countries, of which France, Germany, the United Kingdom, the Netherlands, Switzerland, etc.

³ The Americas comprise eight countries including the United States and Canada.

⁴ Asia comprises nine countries, including Japan.

⁵ Oceania comprises Australia and New-Zealand.

⁶ Africa comprises South Africa.

2. 2015 Voting Results

Out of **1 458** general meetings that have been approved and confirmed, Natixis AM voted on **20 653** resolutions.

- We voted in favour of 15 249 resolutions (74%)
- We voted against 5 183 resolutions (25%)
- We abstained on 221 resolutions (1%)

Out of the **20 653** resolutions submitted to votes, **20 084** were proposed by companies' management or boards of directors. Natixis AM voted against **4 937** resolutions (**25%**) and abstained on **217** resolutions (**1%**).

Out of the **569** shareholder resolutions, Natixis AM supported **319** resolutions in total (**56%**), of which **205** opposing the management's opinion (**36%**).

Natixis AM cast at least one opposition vote at **1 225** general meetings, that is to say **84%** of approved general meetings.

3. Analysis of 2015 Voting Results

Our average level of opposition (votes "against" and "abstention") reached **26%** in 2015, 4 points down from 2014.

Geographical Breakdown of Votes Cast in 2015

| | <i>Number of resolutions</i> | <i>%</i> | <i>For</i> | <i>%</i> | <i>Against</i> | <i>%</i> | <i>Abstention</i> | <i>%</i> |
|-----------------|------------------------------|-------------|---------------|--------------|----------------|--------------|-------------------|-------------|
| Europe | 12 929 | 63% | 9 696 | 75% | 3 180 | 24.5% | 53 | 0.5% |
| Americas | 3 564 | 17% | 2 580 | 72.5% | 825 | 23% | 159 | 4.5% |
| Asia | 3 383 | 16% | 2 321 | 69% | 1 054 | 31% | 8 | 0% |
| Oceania | 209 | 1% | 176 | 84% | 32 | 15.5% | 1 | 0.5% |
| Africa | 568 | 3% | 476 | 84% | 92 | 16% | 0 | 0% |
| Total | 20 653 | 100% | 15 249 | 74% | 5 183 | 25% | 221 | 1% |

However, there are big differences depending on the region. It ranges between 16% for Oceania and 31% for Asia.

Various factors explain these differences, including:

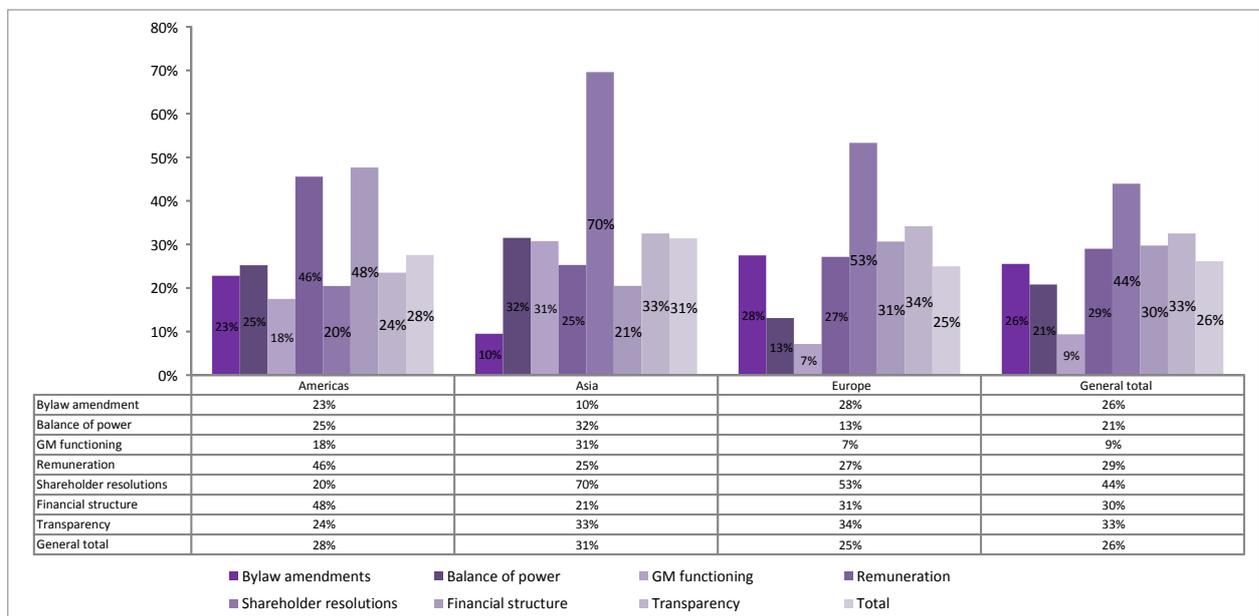
- differences in the voting perimeter according to geographical areas
- the diversity of topics submitted to shareholder votes according to geographical areas and countries

- the importance of certain themes in the agendas of general meetings in specific countries
- local practices still inferior to that of international standards

Taking into account that these factors create significant bias, our analysis focuses on geographical areas that are relevant to Natixis’s voting perimeter, i.e. Europe, the Americas and Asia.

Our level of opposition per theme and region highlights differences according to areas.

Figure 1: Level of opposition by theme and region



The level of opposition is relatively homogenous for **all regions taken together**. It ranges between 9% for resolutions on the functioning and formalities of general meetings, and reaches 44% on shareholder resolutions. It attains 21%, 33%, 29% and 30% on the main themes of general meetings, respectively, balance of power, financial information transparency, remuneration policy and financial structure. These levels remain high overall and show that significant progress can still be made on the main issues related to company governance.

In Europe – the major area in our voting perimeter with 63% of approved resolutions –, our level of opposition is especially high on shareholder resolutions (53%). This is mostly explained by voting specificities in relation to directors’ elections in Italy (cf. section “Balance of Power”).

However, opposition is relatively high for the four strategic themes of general meetings: 34% on the transparency of financial information, 31% on financial structure issues, 27% on remuneration policy and 27% on amendments to the statutes. These figures show persisting significant discrepancies between companies' practices and Natixis AM's voting policy principles. It should be noted however, that Europe does not stand as a homogeneous block. Within this perimeter, differences can be important, between countries such as the United Kingdom, France, Switzerland, Spain and the Netherlands on one hand, where levels of opposition remain below 20% (median) and countries such as Poland, the Czech Republic, Greece, Turkey and Germany on the other hand, where levels of opposition range between 25% to 80%.

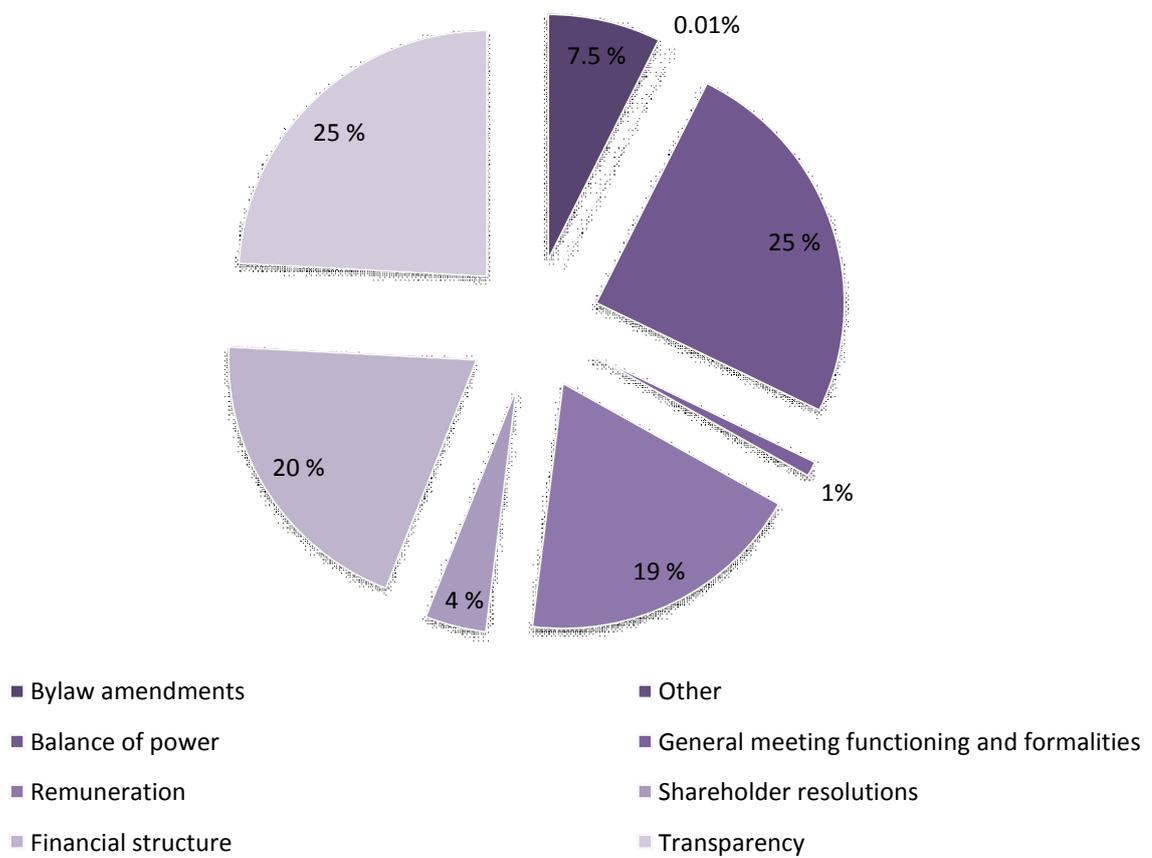
In **America**, notably in the **United States**, resolutions concerning appointments represent 66.5% of resolutions submitted to shareholders' votes and 53% of opposing votes cast. Indeed, the question of boards' independence remains an issue with American companies, notably due to the fact that a large proportion of directors are closely tied to their company through commercial or other interests. Remunerations and shareholder resolutions concern the second themes of opposition and make up 32% of the total opposition votes cast. However, opposition is concentrated in relatively high proportions on shareholder resolutions (72%). This is mostly explained by the importance of shareholder activism in the United States, and the relative ease with which shareholders can introduce resolutions. Remuneration also concentrates a significant opposition rate, at 46%, due to the fact that a performance-based stock remuneration system still prevails.

In **Asia** and particularly in **Japan**, resolutions concerning appointments represent 62% of global opposition votes cast and 31% of opposition votes cast on this specific theme. While this level remains relatively high, it has sharply declined nonetheless compared to that of 2014, which witnessed a global opposition level at 73% and at 46% on this specific theme. The efforts Japan has been making since two years to reform its governance policies and win international investors' confidence back, following the two latest governance scandals it suffered, account for the most part for this decrease. Japan's adaptation to Western countries' governance models seems to be progressing but further progress is still possible, which explains why opposition remains high in that area.

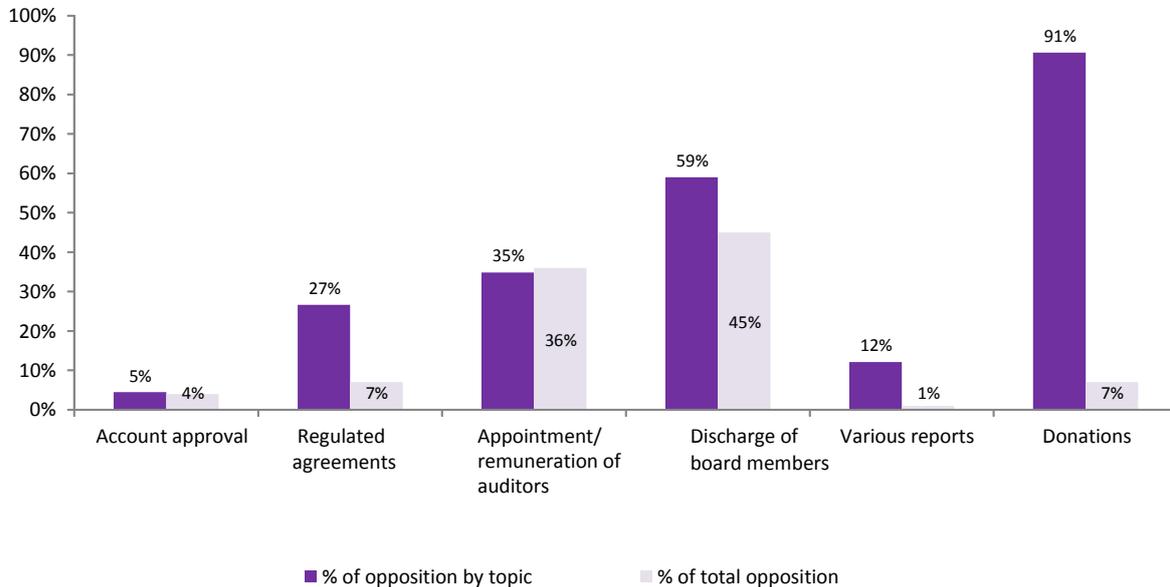
4. Detailed analysis of the main factors of opposition

Opposition (votes “against” and “abstention”) on resolutions submitted to shareholders’ votes can be broken down as follows:

Figure 2: Breakdown of opposition according to themes



4.1. Financial and extra-financial transparency



Issues concerning **transparency** represent nearly **24%** of opposition votes.

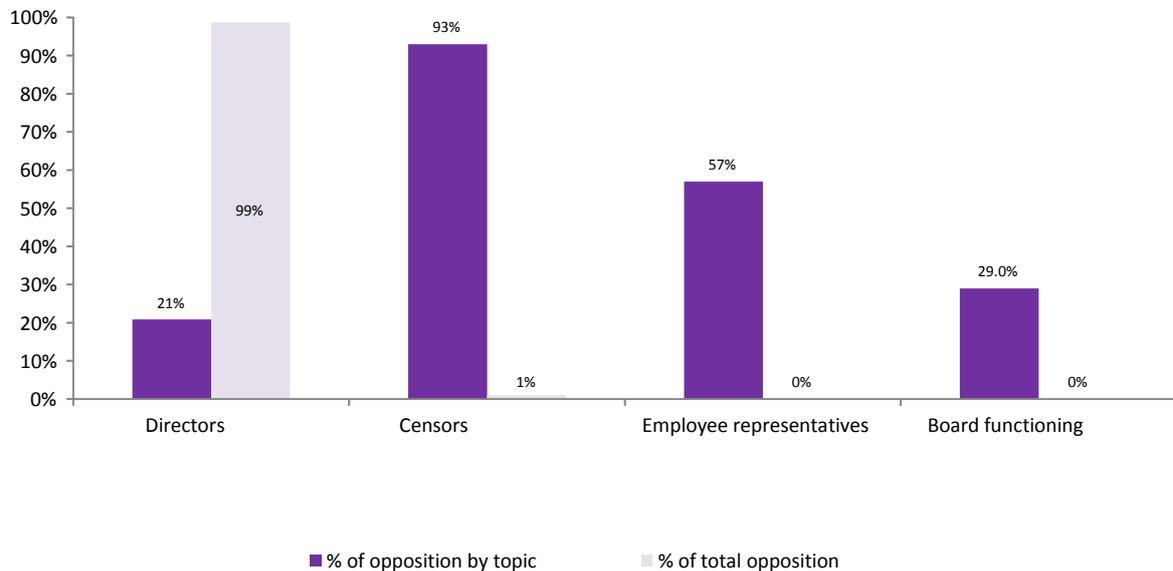
Opposition especially concerned final discharge and auditors’ appointments and remunerations (45% and 36% of opposition votes cast on this theme), and has been relatively high on donations to political parties (91% of opposition on this issue).

Concerning **final discharge**, our level of opposition can be explained mostly by our opposition to this resolution in countries where such a vote prevents shareholders from filing a legal suit. This practice remains in place in several European countries, despite the fact that investors have challenged it.

Regarding **appointments and auditors’ remunerations**, like last year, our opposition concerns cases where auditors’ independence can be challenged. This mainly concerns cases involving the payment of significant allowances for assignments other than auditing and Japanese companies suggesting that subordinate auditors be appointed.

Regarding donations to political parties, our opposition mainly concerns the United States, where political parties are mostly financed by companies, thus creating situations of major conflicts of interest.

4.2. Control structure and balance of power

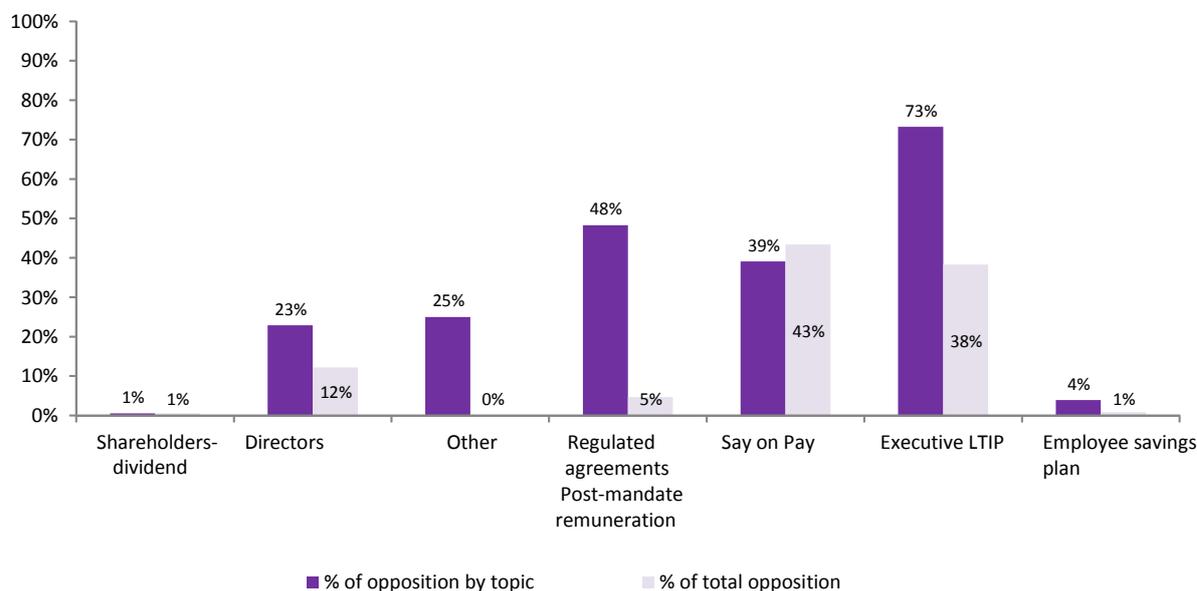


Resolutions on the **balance of power** make up 25% of opposition votes.

Resolutions concerning **director elections** represent almost all of the resolutions on this theme, explaining 99% of our opposition. However, the rate of opposition on this theme reaches only 21% this year, compared to 30% in 2014. Various factors account for this decrease, notably the cyclical aspect of resolutions. Boards of directors are renewed in line with rules that vary according to countries. For instance in the United Kingdom, boards are renewed every year, while in Germany they are still often renewed every five or six years, by unit. Nevertheless, a positive trend can be observed in the board constitution both in terms of independence and in terms of diversity. The latter remains insufficient, hence the level of opposition observed. In particular, the balance of power and proportion of women on boards still show room for improvement.

As regards the **appointment of censors**, the level of opposition on the topic is at 93%, i.e. up by 21 points compared to 2014. This can be explained by our negative position concerning the presence of censors on boards when their presence is not temporary, exceptional and justified, and when the rates of board independence is insufficient by the standards of our principles.

4.3. Distribution of value



Remuneration represents nearly **19%** of total opposition votes.

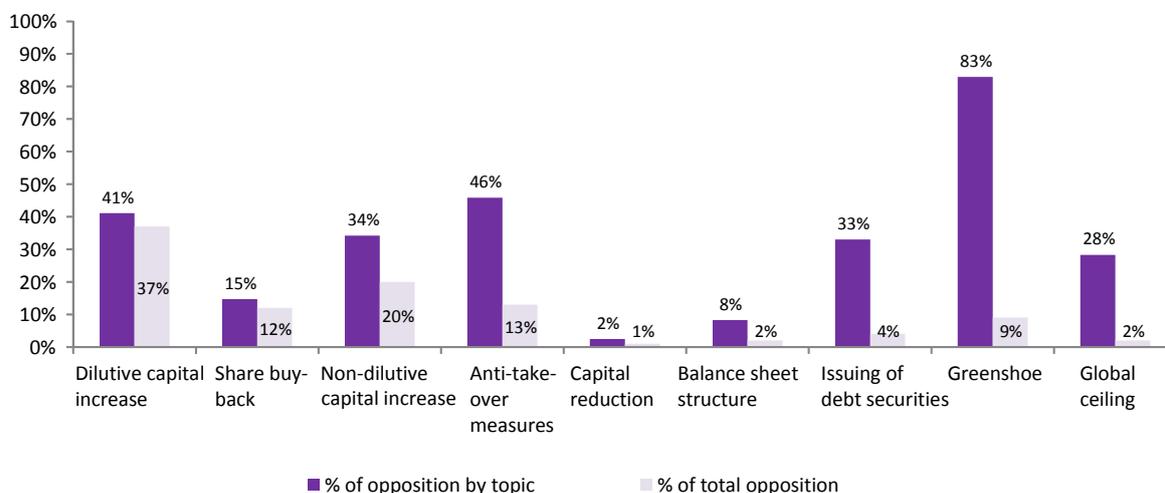
More specifically, this concentrates on the **approval of policies and reports on directors' remuneration** (43% of the total opposition) and **elements of variable remuneration in company shares** (38% of total opposition). The reasons for opposition votes remain stable, and concern aspects of transparency and the correlation between remuneration and long-term performance. Despite the efforts companies have made in the past few years, significant improvements still remain to be made on emerging issues, for example the question of integrating CSR issues into directors' salaries.

Elements of deferred compensation make up only 5% of total opposition votes, but reach 48% of opposition by topic, revealing significant disparities between Natixis AM voting policy recommendations and company practice. Opposition votes are mainly based on the lack of an effective correlation with long-term value creation.

The main reason for opposition of directors' remunerations include unjustified increases in the total budget for attendance fees, and instances of non-executive directors being given variable elements indexed to company performance. Concerning this last case, we hold that the alignment of director interests with executive interests risks creating a conflict of interests which could undermine directors' independence.

As for employee savings plans, NAM strongly encourages associating employees with the company capital and results, and only extreme cases where the company could use employee savings to control voting rights could lead to an opposition vote.

4.4. Financial structure



Resolutions pertaining to the **financial structure** of companies make up **20%** of total opposition.

Opposition votes mainly concern the **dilutive or non-dilutive increase in capital** which represents 57% of total opposition votes on the topic. The highest levels of opposition votes have been registered in Europe (in particular in France, the Netherlands, Spain, Germany and the United Kingdom) and in the United States. The main reason for opposition is due to proposals exceeding the thresholds set by Natixis AM voting policies.

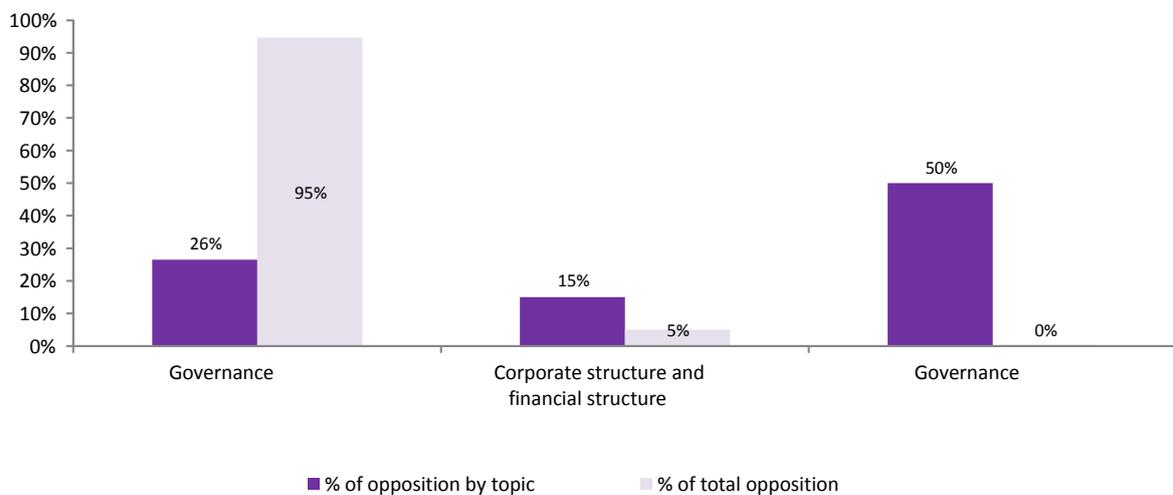
Financial authorizations that can be used as anti-takeover protection but also **share buybacks** have a significant level of opposition, with 13% and 20% of total opposition respectively. The first issue is particularly important in France, where a number of anti-takeover measures have been put in place, for example warrants for dilutive shares known as "Bons Breton" (warrants) and the provisions of the Florange law which was passed in 2014.

Natixis AM has taken a relatively pragmatic approach on the question and does not oppose it except for cases where it thinks that the governance structure provides guarantees that are insufficient for ensuring the measures are used in the long-term interest of the company.

Lastly, it should be noted that, in relation to the resolutions proposed on the issue, additional capital increases, financial authorizations that can be used as anti-takeover measures, and the increase in dilutive capital have the highest levels of opposition votes and exceed the 40% threshold.

Once again, this reveals the significant disparities between company practices and Natixis AM voting policy recommendations in accordance with international standards.

4.5. Bylaw amendments



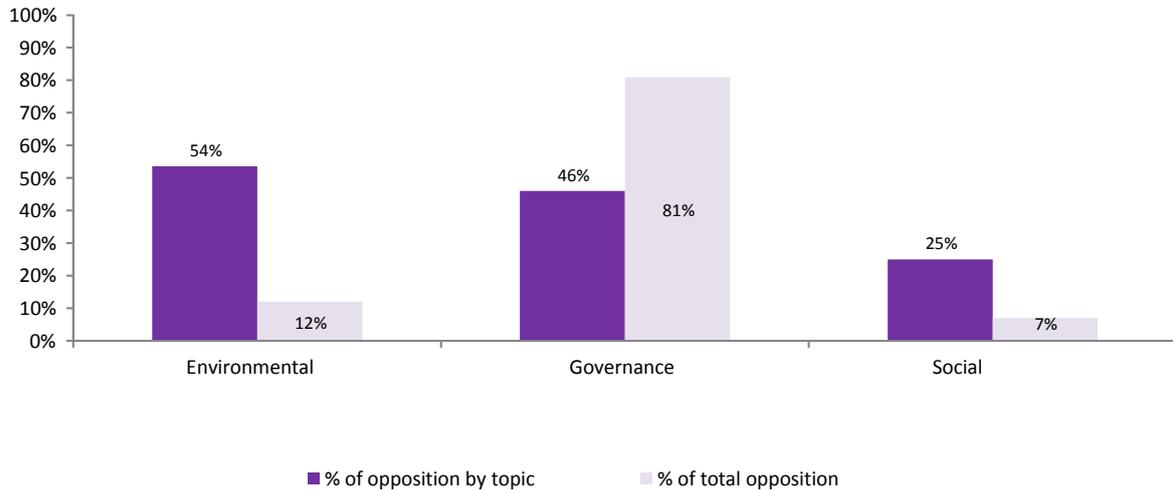
Bylaw amendments make up **7.5%** of opposition, 67% of which pertain to questions of governance.

Nearly $\frac{3}{4}$ of opposition votes were exercised in the United Kingdom and in France.

In the United Kingdom, more than half of the resolutions concerned bylaw amendments designed to reduce the timeframe for calling an extraordinary general meeting. Given the importance of the subjects submitted to this type of general meeting, the suggested timeframes seem insufficient for guaranteeing an incisive analysis of the resolution.

In France, over half of the disapproved resolutions concerned the reintroduction of the “1 share – 1 vote” into the bylaws after the Florange law was passed. Since Natixis AM encourages developing long-term shareholding within companies, it has systematically opposed these propositions when companies did not have equivalent mechanisms for retaining shareholders.

4.6. Shareholder resolutions



Shareholder resolutions represent **4%** of total opposition and essentially concern questions of governance, representing 77% of shareholder resolutions introduced in 2015.

80% of these resolutions are put forward in the **United States, Japan, and Italy**.

In the United States, over 70% of suggested resolutions concern various governance issues related to board committees, the appointment of administrators, and remuneration. The other resolutions concern environmental and social issues and, in some cases, aim to discourage companies from taking these issues into account. Consequently, we did not support the proposal when we thought that it went against the company’s long-term interests.

In Japan, over two thirds of the resolutions put forward and contested concern various governance issues. In most cases, we did not consider these resolutions relevant to the company’s long-term interests and its stakeholders, hence the high level of opposition. We have also noted a relatively significant proportion of resolutions on the nuclear question, especially the closing of nuclear power plants. In our opinion, this issue is within the State remit, and we have systematically voted to disapprove.

In Italy, matters concentrate on nominating directors. The “voting by list” in place in Italy allows both majority and minority shareholders to put forward director lists for post openings on the board. Natixis AM policy is to be in favour of the list suggested by the minority shareholders so as to encourage their inclusion on the board. Inversely, we oppose the list suggested by the majority shareholders, hence the level of contestation noted.

Furthermore, we have supported close to **56%** of shareholder resolutions suggested when they improved environmental, social or governance practices in companies.

5. Cases in which Natixis AM might have deviated from its voting policy

Natixis AM exercises its voting rights in the exclusive interest of unit-holders; within this framework, Mirova respects the principles set out in its voting policy.

6. Conflicts of interest

In compliance with its voting policy, Mirova exercises its voting rights in the exclusive interest of unit-holders and does not participate in the general meetings of entities of the BPCE Group or BPCE Group's subsidiaries/ holdings, the securities of which are traded on the market.

Furthermore, for the exercise of voting rights in 2015, Natixis AM did not participate in the Arkema general meeting because of a conflict of interest.

During the general meeting in 2015, Arkema submitted two projects for resolutions directly involving Natixis. The first resolution concerned the re-election of the CEO of Natixis to the board of Arkema, and the second resolution concerned a regulated agreement between the two companies.

Even though the analysis of the resolutions following the Natixis AM voting policy could have led to an approving vote, Natixis AM decided not to participate in this general meeting.

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